

Message Text

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FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 4701
INFO ALL OECD CAPITALS
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USOECD

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E.O. 11652: N/A
TAGS: EGEN, OECD
SUBJECT: OECD MINISTERIAL: INTERNATIONAL ECONOMIC
RELATIONS WITH SPECIAL REFERENCE TO DEVELOPING
COUNTRIES

1. SUMMARY: OECD MINISTERS DISCUSSED NORTH/SOUTH
RELATIONS ON JUNE 23 AND ADOPTED PUBLIC DECLARATION
ON RELATIONS WITH DEVELOPING COUNTRIES. IN HIS STATE-
MENT, SECRETARY OF STATE VANCE STRESSED THE NEED TO
FOCUS FUTURE EFFORTS ON HELPING THE LARGE PROPORTION OF
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THE WORLD'S POPULATION LACKING ESSENTIAL FOOD, SHELTER,
WATER AND HEALTH CARE, AND PROPOSED A SPECIAL OECD WORK-
ING GROUP BE SET UP TO DESIGN A PROGRAM FOR BASIC HUMAN
NEEDS. THIS AND SIMILAR CONCERNS VOICED BY MANY OTHER
DELEGATIONS LAID BASE FOR MAIN THRUST OF MINISTERS'
DECLARATION, WHICH RECORDS (A) AGREEMENT THAT CIEC
PLAYED VALUABLE ROLE IN BUILDING UP CLIMATE OF DIALOGUE;

B) WELCOME BY NON-CIEC PARTICIPANTS OF CIEC'S RESULTS, WITH SOME INTENDING TO ASSOCIATE THEMSELVES WITH THE SPECIAL ACTION PROGRAM; C) EXPRESSION BY ALL DELS OF THEIR READINESS TO EFFECTIVELY PURSUE THE DIALOGUE WITH THE LDC'S IN THE UN AND OTHER APPROPRIATE FORA; D) A NEW ORIENTATION IN DEVELOPMENT COOPERATION TO STRESS MEETING BASIC HUMAN NEEDS ;E) THE INTENTION TO INCREASE OFFICIAL DEVELOPMENT ASSISTANCE SUBSTANTIALLY AND TO DIRECT A PROGRESSIVELY LARGER SHARE OF THEIR AID TO MEETING BASIC HUMAN NEEDS; AND F) WILLINGNESS TO ENCOURAGE EFFECTIVE INTERNATIONAL ENERGY COOPERATION AND DIALOGUE.

2. IN ADDITION TO SOME OF FOREGOING POINTS AUSTRALIAN FOREIGN MINISTER PEACOCK'S SUMMARY OF DAY'S DISCUSSION INCLUDED FOLLOWING ELEMENTS: (A) MINISTERS HAD AGREED ON NEED FOR AN INTERNAL OECD REVIEW OF OBJECTIVES, INSTRUMENTS AND POLICY CONCEPTS OF DEVELOPMENT CO-OPERATION, TO BUILD ON COHESION DEVELOPED IN CIEC AND MAINTAIN CLOSE OECD COORDINATION FOR VARIOUS NORTH/SOUTH DISCUSSIONS, AND TO ENCOURAGE OTHER DONORS, PARTICULARLY THE EAST, TO INCREASE THEIR AID. (B) MINISTERS FAVERED A PRUDENT AND PRAGMATIC APPROACH TO ASSOCIATING NON-MEMBERS WITH SELECTED OECD ACTIVITIES, AND INVITED THE SECRETARY GENERAL TO MAKE PROPOSALS ON THIS. (C) MINISTERS HAD BROADLY LIMITED OFFICIAL USE

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RECOGNIZED SERIOUSNESS OF PROTECTIONIST PRESSURES AND THE NEED FOR AN ACTIVE APPROACH TO DEFENDING THE OPEN TRADING SYSTEM, INCLUDING IDENTIFYING PROBLEMS BEFORE THEY REACHED CRITICAL PROPORTIONS AND CONSULTING ON THEM. (D) SECRETARY GENERAL WILL FOLLOW UP ON PROPOSALS MADE BY U.S. AND OTHERS AND SUBMIT PROPOSALS TO THE COUNCIL.

3. HIGHLIGHTS OF MINISTERS' STATEMENTS ARE REPORTED BELOW. DECLARATION IS REPORTED SEPTEL, AND SECRETARY'S SPEECH IS CONTAINED IN WIRELESS FILE.
END SUMMARY.

4. STATEMENT BY SECRETARY VANCE NOTED THAT THE WORLD WAS ENTERING A NEW POLITICAL AND ECONOMIC ERA REQUIRING IMPROVED DC ECONOMIC COOPERATION, A NEW RELATIONSHIP WITH THE SOUTH, AND INCREASED DISCOURSE WITH THE EAST. THE OECD HAD A UNIQUE AND ESSENTIAL ROLE TO PLAY AS THE MAJOR FORUM FOR ECONOMIC MANAGEMENT AND COORDINATION AMONG THE INDUSTRIAL DEMOCRACIES. PRIORITIES FOR THE DEVELOPED COUNTRIES INCLUDED OVERCOMING UNEMPLOYMENT AND INFLATION AND

REJECTING PROTECTIONISM. ON ENERGY, INCREASED EFFORTS
AT CONSERVATION AND FINDING ALTERNATIVE SOURCES OF
SUPPLY WERE NEEDED, WHILE AVOIDING PREMATURE ENTRY INTO

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A PLUTONIUM ECONOMY BEFORE WAYS WERE FOUND TO RECONCILE
ENERGY AND SECURITY CONCERNs. THE SECRETARY SUGGESTED
ENCOURAGING THE COMECON NATIONS TO JOIN IN SEEKING
SOLUTIONS TO THE MAIN ECONOMIC CHALLENGES,
PARTICULARLY INCREASED DEVELOPMENT ASSISTANCE, BETTER
WORLD FOOD SECURITY, AND EQUITABLE MULTILATERAL
ARRANGEMENTS FOR COMMODITIES. WITH RESPECT TO
RELATIONS WITH DEVELOPING COUNTRIES, SECRETARY VANCE
ASKED THE SECRETARY GENERAL TO BRING ABOUT MORE
EFFECTIVE COORDINATION OF OECD EFFORTS IN NORTH/SOUTH
ISSUES. HE URGED THAT EFFORTS BE DIRECTED TOWARD
MORE EFFECTIVELY MEETING THE NEEDS OF THE POOREST
PEOPLES AND PROPOSED AN OECD SPECIAL WORKING GROUP TO
DESIGN A PROGRAM FOR BASIC HUMAN NEEDS, WITH RURAL
DEVELOPMENT AND FOOD PRODUCTION, HEALTH, AND EDUCATION

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AS FUNDAMENTAL ELEMENTS. HE POINTED OUT THE IMPORTANCE OF ENGAGING THE INTEREST AND EXPERTISE OF THE DEVELOPING NATIONS THEMSELVES IN WORKING OUT THIS STRATEGY. THE SECRETARY NOTED THAT ADDING THE HUMAN NEEDS DIMENSION TO DEVELOPMENT COOPERATION PROGRAMS WAS

ESSENTIAL IF PUBLIC AND LEGISLATIVE SUPPORT FOR THESE EFFORTS WERE TO BE MAINTAINED.

5. UK: FOREIGN SECRETARY OWEN URGED THAT THE DEVELOPED COUNTRIES BUILD ON THE COHESION THEY HAD DEVELOPED FOR CIEC AND AVOID A DEFENSIVE OR DEFEATIST POSTURE. HE SUGGESTED IT WAS IMPORTANT TO CHANNEL THE DIALOGUE INTO SPECIFIC FORUMS WHERE COUNTRIES COULD FOCUS ON CONCRETE SUBJECTS AND STRESSED THE IMPORTANCE OF THE COMMON FUND NEGOTIATIONS IN NOVEMBER, FOR WHICH THE OECD SHOULD MAKE SPECIAL EFFORTS TO PREPARE. OWEN ALSO SUPPORTED THE HUMAN NEEDS CONCEPT.

6. GERMANY: FOREIGN MINISTER GENSCHER OUTLINED A STRUCTURE OF MUTUAL RESPONSIBILITIES WHICH HE FELT ESSENTIAL FOR AN EFFECTIVE WORLD ECONOMY: DEVELOPED COUNTRIES HAD TO KEEP MARKETS OPEN TO LDC EXPORTS, INCREASE AID FLOWS TO THE POORER COUNTRIES, AND NEGOTIATE COMMODITY AGREEMENTS AND COMMON FUND; OPEC HAD TO ADOPT RESPONSIBLE BEHAVIOR ON OIL PRODUCTION AND PRICING; DEVELOPING COUNTRIES HAD TO ALLOW PRIVATE INVESTMENT TO PLAY A GREATER ROLE; AND THE EAST HAD TO MAKE A LARGER MATERIAL CONTRIBUTION TO THE OBJECTIVES OF OVERCOMING HUNGER AND NEED IN THE DEVELOPING WORLD.

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7. FRANCE: FOREIGN MINISTER DE GUIRINGAUD MADE AN EXTENSIVE ANALYSIS OF CIEC, WHICH HE CHARACTERIZED AS A POSITIVE CONTRIBUTION TO NORTH/SOUTH RELATIONS. HE EXPRESSED REGRET FOR THE FACT THAT CONSTRUCTIVE DC PROPOSALS ON EXPORT EARNINGS STABILIZATION AND DEBT HAD BEEN NEGLECTED BY THE OTHER SIDE AND THAT LEGITIMATE DC DEMANDS ON ENERGY AND INVESTMENT HAD RECEIVED NO RESPONSE. DE GUIRINGAUD SUGGESTED THE MAIN DIRECTIONS FOR FUTURE WORK SHOULD BE (A) SPECIAL

EFFORTS FOR SUCCESSFUL NEGOTIATIONS ON THE UNCTAD INTEGRATED PROGRAM; (B) CONSIDERATION OF HOW TO MAKE UP FOR THE LACK OF INTERNATIONAL DISCUSSIONS ON ENERGY; (C) BETTER ADAPTATION OF AID POLICIES TO THE DIFFERENT NEEDS OF LDC'S, ESPECIALLY THE POOREST; AND (D) MORE INVOLVEMENT OF THE EAST IN DEVELOPMENT COOPERATION. HE PROPOSED A UN REVIEW OF CAPITAL NEEDS OF LDC'S AND OF AID FLOWS FROM ALL DONORS ANALOGOUS TO THAT DONE BY THE DAC FOR THE OECD AS A MEANS OF PRODDING THE EAST IN THIS DIRECTION. DE GUIRINGAUD SUPPORTED THE BASIC HUMAN NEEDS APPROACH BUT WARNED AGAINST PATERNALISM AND DECIDING FOR LDC'S WHAT THEIR NEEDS WERE. WITH RESPECT TO FUTURE DC

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COORDINATION, HE OPPOSED ATTEMPTS TO DEVELOP NEW INSTITUTIONS AND STATED THE OECD COUNCIL AND XCSS SHOULD SERVE THIS PURPOSE.

8. INTERVENTIONS OF OTHER DELEGATIONS SUPPORTED THE

CONSENSUS DESCRIBED IN THE SUMMARY ABOVE AND COVERED A WIDE RANGE OF ISSUES. ITALY AND THE NETHERLANDS EXPRESSED STRONG INTEREST IN MAKING THE OECD FINANCIAL SUPPORT FUND OPERATIONAL AND IMPLICITLY CRITICIZED THE U.S. FOR NOT RATIFYING IT. ITALY STRESSED THE IMPORTANCE OF REDUCING DIVERGENCES IN ECONOMIC PERFORMANCE AMONG OECD COUNTRIES BY FASTER GROWTH IN THE STRONGER COUNTRIES AND EFFECTIVE STABILIZATION IN THE WEAKER ONES. PORTUGAL AND SPAIN STATED THEIR CONCERN ABOUT THE DIVERGENCES BETWEEN THE MORE AND LIMITED OFFICIAL USE

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LESS DEVELOPED OECD MEMBERS AND FAVORED SPECIAL ATTENTION BY THE ORGANIZATION TO THIS PROBLEM. NEW ZEALAND CRITICIZED THE AGRICULTURAL POLICIES OF THE U.S. AND EC AND NOTED THAT NEW ZEALAND'S ABILITY TO CONTRIBUTE MORE FOR DEVELOPMENT PURPOSES DEPENDED ON FASTER ECONOMIC GROWTH IN THE REST OF THE OECD AND REDUCTION OF AGRICULTURAL TRADE BARRIERS. SWEDEN GAVE PRIORITY TO THE LDC DEBT PROBLEM AND AN ADDITIONAL SCHEME FOR STABILIZING LDC EXPORT EARNINGS.

9. SWEDEN, ALONG WITH THE NETHERLANDS, FAVORED CONSIDERING THE UN AS A FORUM FOR CONTINUING THE ENERGY DIALOGUE. CANADA, ON THE OTHER HAND, ARGUED IN FAVOR OF WORKING THROUGH THE IEA OR THE WORLD BANK AND AVOIDING THE UN MECHANISM. THE NETHERLANDS DREW ATTENTION TO THE IMMINENT FORMATION OF THE BRANDT COMMISSION AND SUGGESTED OECD MEMBERS ACTIVELY SUPPORT THE WORK OF THIS GROUP. AUSTRIA REITERATED ITS PROPOSAL MADE AT PREVIOUS OECD MEETINGS FOR A SCHEME ANALOGOUS TO THE MARSHALL PLAN FOR UTILIZING DORMANT PRODUCTION CAPACITY IN THE OECD TO SUPPLY THE NEEDS OF DEVELOPING COUNTRIES. FINLAND ANNOUNCED ITS INTENTION TO DOUBLE ITS AID OVER THE MEDIUM TERM. A LARGE NUMBER OF THESE COUNTRIES MADE SPECIAL REFERENCE TO THE PROBLEMS OF INDUSTRIAL ADJUSTMENT TO CHANGES IN WORLD TRADING PATTERNS AND ADVOCATED OECD ANALYSIS OF THESE AND/OR STUDY OF THE POTENTIAL FOR COORDINATED ACTION IN THIS AREA.

10. DECLARATION ON RELATIONS WITH DEVELOPING COUNTRIES: ISSUE OF EXTENT TO WHICH NON-PARTICIPANTS COULD ENDORSE CIEC RESULTS WAS RESOLVED WITHOUT MUCH
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DIFFICULTY BY ADOPTION OF APPROPRIATE LANGUAGE IN DRAFTING SESSION. FRENCH EFFORT TO NEGATE RE-ORIENTATION OF DEVELOPMENT COOPERATION TOWARD MEETING HUMAN NEEDS WAS TURNED BACK IN THE CONTEXT OF STRENGTHENING STATEMENT ON INCREASING OFFICIAL DEVELOPMENT ASSISTANCE SUBSTANTIALLY, AND ADDING CONCEPT OF BETTER BALANCE OF EFFORTS AMONG DONORS IN LAST PARAGRAPH. MINISTERS THEMSELVES DEBATED WHETHER OR NOT AGREED TEXT SHOULD BE ISSUED AS SEPARATE DECLARATION, A PROCEDURE OPPOSED BY SOME DELS. DETERMINING FACTOR IN POSITIVE DECISION WAS SUPPORT BY U.S. AND JAPAN AND STRONG DESIRE EXPRESSED BY CIEC NON-PARTICIPANTS TO HAVE OPPORTUNITY TO SIGNAL THEIR WELCOMING OF CIEC RESULTS BY THIS MEANS.

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